

CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 05/23/06
AGENDA ITEM 14
WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Business Terms of Franchise Agreement for Solid Waste and Recycling Services

RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution approving the business terms to be included in a Franchise Agreement with Waste Management of Alameda County (WMAC).

BACKGROUND:

At its February 14 meeting, the Council authorized a one-year extension to the existing Franchise Agreement with WMAC, to May 2008, in order to allow time for the City to take proposals for solid waste services and allow for a possible transition to a new service provider. However, the Council also authorized the City Manager to continue negotiations with WMAC to determine whether a mutually beneficial extension to the current contract could be agreed upon.

At the February meeting, the Council provided direction to staff with regard to service components to be addressed during the negotiation process. In addition, at the Council's direction, staff solicited comments from residents and businesses on a new Franchise Agreement via a published notice in the *Daily Review*. To date, no comments have been received. Placement of a notice as a bill insert was not possible, since negotiations would be completed before the next bill insert would be received by residents and businesses.

As a result of the negotiations, staff and WMAC have reached an agreement on the business terms of a new Franchise Agreement. This report describes these proposed business terms for residential and commercial services and the corresponding rate adjustments.

In the negotiation process, WMAC requested an increase in rates for current services based on the representation that the current rates have failed to keep pace with actual costs. Staff reviewed the results of recent negotiations and "requests for proposal" (RFP) processes by neighboring jurisdictions. Based on this review, staff determined that recently approved Franchise Agreements have resulted in rate increases of between 20% and 30%; in some instances, higher ranges were also approved. It appears that jurisdictions that went through the RFP process did not ultimately end up with lower rates than those jurisdictions that negotiated directly with their service provider.

Proposed Term, Service Enhancements, and Rates

Staff has also determined that enhancements to current services are necessary and desirable in order to keep pace with changes in the solid waste and recycling industry. These enhancements have been negotiated into the proposed business terms. The proposed Franchise Agreement would become effective June 1, 2007, and would continue for seven years with three one-year extension options at the City's discretion. All existing services would be maintained. Proposed service enhancements are summarized below:

Residential Services:

- **Continue Current Services Using Existing Carts:** Single-family residents would continue to use their existing garbage and green waste carts. Carts would continue to be placed at the curb, not in the street, in order to allow street sweeping services to continue with minimal interruptions. New 20-gallon wheeled carts would be provided to those customers requesting that service.
- **Co-Mingled Recyclables Collection Using Carts:** All single-family households would be provided a two-wheeled cart with hinged-lid to collect their co-mingled recyclables. Collection services would continue to be provided by Tri-CED each week on the same day as garbage collection. Residents would be provided a 64-gallon cart, unless they request a 35-gallon cart. Carts present advantages over bins, including larger capacity, easy maneuverability, and the lid reduces litter. Additionally, this should help reduce the amount of illegal scavenging currently experienced in some neighborhoods.
- **Annual Residential Clean-Up Service:** The current annual bulky waste appointment service would continue without any changes; all bulky waste would continue to be removed on the scheduled appointment day. Additionally, improperly prepared but otherwise acceptable items would also be removed for a fee approved by the City. New services would include removal of unscheduled setouts in the immediate vicinity of all scheduled setouts in order to reduce illegal dumping and the potential for scavenging. WMAC would also sort all such loads of garbage for processing in order to remove and recycle metals and clean wood.
- **Free Disposal of Two Cubic Yards of Self-Hauled Waste:** WMAC would offer annual coupons to all Hayward residential customers subscribing to individual cart service, which would allow a one-time delivery of up to two cubic yards of garbage for free disposal at the Davis Street Transfer Station. In order to be able to offer this service at no additional cost to rate payers, it would be limited to the first 1200 coupons redeemed each year.
- **Batteries Collection:** Effective February 2006, California Universal Waste Rule prohibits disposal of certain waste, including household batteries, in the trash. Under the proposed Agreement, residential customers would be able to recycle common household batteries, such as those used in flash lights and cameras, by putting them in plastic bags and setting them next to their recycling container, similar to how used oil filters are recycled.

- Discount for "Sharps" Disposal: Proper disposal of syringes, hypodermic needles and other "sharps" would be less expensive for Hayward residents through a 30% discount being provided by WMAC at participating drug stores.
- Christmas Tree Collection: Curbside collection from single- and multi-family dwellings, up to 25 units, would continue. New services would include collection from multi-family dwellings of more than 25 units, using large-capacity boxes that would be delivered for placement in parking lots or other mutually agreeable locations.
- Public Litter Cans: An additional 50 litter cans would be available for service around the City.
- Free Compost: WMAC would provide 4,000 one-cubic-foot bags of compost, which would be offered by the City to residents at no charge during an annual one-day event on a selected weekend.
- Food Waste Collection: At the City's option, food waste collection from single-family homes could be implemented in 2009-2010. The food waste would be co-mingled with the green waste already collected and delivered to a facility to be identified for composting. The customer would not see any increase in cost for this service.
- Dirt and Debris: Increase in the amount of City generated dirt and debris that may be delivered to WMAC for disposal from 500 to 3,000 tons annually.
- Biosolids Disposal: Disposal of up to 6,000 tons per year of biosolids and 250 tons of grit from the City's Water Pollution Control Facility.

Commercial Recycling Services

- While significant progress has been made in defining both the scope and funding for the addition of a commercial recycling program, more time is needed to develop the specifics. Acceptable materials would include co-mingled food scraps, yard trimmings, soiled paper products, waxed cardboard and clean wood from businesses for composting. Details on both how the program will be implemented and corresponding rates will be provided with the final recommended Franchise Agreement.

Alternative Fuel Vehicles

- Compressed/Liquid Natural Gas: At the February Council meeting, interest was expressed in the use of AFV for residential collection and recycling services. Use of alternative fuel vehicles would result in a significant and immediate reduction in both Particulate Matter emissions (PM) and Nitric Oxide (NOx) emissions. PM emissions have been identified by the California Air Resources Board as a toxic air contaminant. In addition, NOx is also a significant contributor to smog and a source of poor air quality.

Accordingly, staff asked WMAC to estimate the cost of using such vehicles. The use of alternative fuel vehicles would result in a 4.15 % additional increase in cost of service for

all customers. This added cost does reflect the continued availability of grants for AFVs from the Bay Area Air Quality Management District. For a typical 35-gal cart residential customer, this would add \$.93 per month to their rates. Staff believes this added cost is reasonable and is a positive step the City can take toward improving the environment. Therefore, staff recommends this alternative, which would result in either new Compressed Natural Gas (CNG) or new Liquid Natural Gas (LNG) equipment for the entire residential fleet beginning June 2007. WMAC has indicated there is a large backlog in getting new AFV vehicles and that it would need to start ordering 12 months in advance of delivery dates. Thus, it is critical to be able to confirm this aspect of the Franchise.

- Clean-Burning Diesel Trucks: If the AFV alternative is not acceptable, WMAC proposes to phase in new clean-burning diesel vehicles for residential refuse and green waste collection over the first four years of the proposed Franchise Agreement, with 3 to 4 new or retrofitted vehicles each year. For the residential recycling program, new recycling trucks would be required in June 2007 because of the new cart collection method; these trucks would all use clean-burning diesel. In all cases WMAC would be responsible for meeting all air quality control board requirements during the term of the Agreement.

Proposed Rate Increases and Comparison with Other Jurisdictions

- Residential Rate Increase: Currently, 72% of Hayward residential customers subscribe to weekly 35-gallon service. Under the existing Agreement, residential rates for this service are scheduled to rise to \$17.69 effective June 1, 2006. Approval of the residential services described above, including the AFV alternative, would increase monthly rates from \$17.69 for a 35-gallon cart to \$23.28, beginning June 1, 2007. A comparison of residential rates among other jurisdictions in Alameda County is attached for reference (See Exhibit A). This comparison shows that if the proposed rates are approved, Hayward would continue to have reasonable rates for refuse service when compared to neighboring jurisdictions. The exhibit also indicates the resultant rates if the alternative fuel vehicle proposal was not selected.
- Commercial and Roll-Off Rate Increase: Preliminary commercial and roll-off rates would have similar increases. A comparison of typical commercial and roll-off rates by jurisdiction is also included in Exhibit A, for information purposes. However, these rates do not yet address the commercial recycling program. As noted earlier, staff will require additional information to complete its review of the commercial recycling services and proposed costs and will include its final recommendation in a report to Council that will describe the provisions of a new Franchise Agreement.
- CPI Rate Adjustments: Annual rate adjustments for non-fuel costs would continue at 80% of CPI for all services. Additionally, to account for the future impact of rising energy costs, a separate adjustment would be made to the fuel component of the rates. Each year the total costs of diesel fuel, LNG and CNG would be reported and reviewed by staff, and the rates adjusted to account for 75% of the past year's change in fuel cost.

- Street Sweeping Fee: WMAC would remit to the City a fee that would be used to offset a portion of the City's street sweeping and cleaning costs due to the debris that is usually left behind after the garbage trucks have completed their routes. The fee will be 2.5% of WMAC's gross revenue.

Assuming the Council approves the proposed business terms for a new Franchise Agreement, staff will finalize negotiations and prepare a new Franchise Agreement for the Council's consideration by mid-September 2006.

Prepared by:



Alex Ameri, Deputy Director of Public Works/Utilities

Recommended by:



Robert A. Bauman, Director of Public Works

Approved by:



Jesús Armas, City Manager

Attachments:

Exhibit A – Comparison of Residential and Commercial Rates in Alameda County

**Comparison of Residential, Commercial and Roll-Off Rates
for Selected Jurisdictions in Alameda County:
Rates are projected for March – September 2007**

<u>Jurisdiction</u>	<u>Monthly Residential Rate 32 – 35 Gal Cart</u>	<u>Monthly Commercial 1 Cubic Yard</u>	<u>Service Rate Roll-Off 30 Cubic Yards</u>
Union City	\$28.43	\$86.90	\$524.35
Oakland	\$26.00	\$122.01	\$762.77
Fremont	\$24.28	\$63.90	\$390.64
Alameda	\$24.26	\$91.85	\$1,107.38
Hayward (proposed)	\$23.28	\$98.45	\$547.12
Albany	\$22.99	\$93.80	\$547.99
Hayward (without AFVs)	\$22.35	\$93.64	\$519.36
San Leandro*	\$19.37	\$84.90	\$531.62
Castro Valley Sanitary District**	\$18.90	\$79.66	\$440.84
Hayward (existing eff. June 1, 2006)	\$17.69	\$72.95	\$399.16
Oro Loma Sanitary District*	\$15.82	\$72.57	\$472.05

*Residential recycling services are provided every other week.

**Franchise expires in 2009

Note: Hayward commercial and roll-off rates are preliminary estimates and subject to further review.

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

RESOLUTION APPROVING THE BUSINESS TERMS IN THE
FRANCHISE AGREEMENT WITH WASTE MANAGEMENT
OF ALAMEDA COUNTY (WMAC)

WHEREAS, on February 14, 2006 the City Council of the City of Hayward authorized a one-year extension to the existing Franchise Agreement with WMAC to negotiate the terms of a new Franchise Agreement; and

WHEREAS, staff and WMAC have reached an agreement on the business terms of a new Franchise Agreement which will become effective June 1, 2007, and continue for seven years with three one-year extension options at the City's discretion. All existing services will be maintained.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward hereby approves the business terms to be included in the Franchise Agreement with Waste Management of Alameda County as negotiated by staff and WMAC.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2006

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR

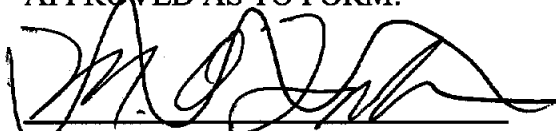
NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:



City Attorney of the City of Hayward